

FINAL COPY

Proposed Constitutional Amendment  
To Be Voted on at the November 7, 2006, Election

**PROPOSED CONSTITUTIONAL AMENDMENT**

Article X. Taxation and Finance.  
Section 6. Exempt property.

***BALLOT QUESTION NUMBER 3***

Shall Section 6 of Article X of the Constitution of Virginia be amended to authorize legislation to permit localities to provide a partial exemption from real property taxes for real estate with new structures and improvements in conservation, redevelopment, or rehabilitation areas?

***EXPLANATION***

**Present Law**

The Constitution now allows the General Assembly to give local governments the power to provide a partial exemption from real estate taxes as an incentive for property owners to make substantial improvements to existing structures by renovating, rehabilitating, or replacing those structures.

The General Assembly has passed laws that give the governing bodies of counties, cities, and towns the authority to provide for partial exemptions from real estate taxes for rehabilitated, renovated, or replacement residential, hotel, motel, commercial, or industrial structures. See, for example, § 58.1-3220 of the Code of Virginia.

**Proposed Amendment**

The proposed amendment would expand the possibilities for this type of tax relief or incentive. It authorizes the General Assembly to pass laws that will allow counties, cities, and towns to provide a partial exemption from real estate taxes for new structures and improvements located in a conservation, redevelopment or rehabilitation area.

The 2006 General Assembly passed Senate Bill 358 to implement this constitutional amendment if it is approved by the voters. Senate Bill 358 would authorize local governing bodies to provide for the partial exemption from taxation of (i) new structures located in redevelopment or conservation areas or rehabilitation districts and (ii) other improvements to real estate located in redevelopment or conservation areas or

rehabilitation districts. The partial exemption would be a percentage of the increase in assessed value as a result of the new structure or improvement or an amount not to exceed 50 percent of the construction cost of such structure or improvement. The local governing body would be allowed to establish criteria for qualifying real estate including, but not limited to, the square footage for new structures. Senate Bill 358 will become effective if the proposed constitutional amendment is approved.

A "yes" vote on the proposed amendment will give the General Assembly authority to permit localities to provide a partial exemption from real property taxes for real estate with new structures and improvements in conservation, redevelopment, or rehabilitation areas and will give effect to Senate Bill 358. A "no" vote will leave the present Constitution and statutory law unchanged.

***FULL TEXT OF AMENDMENT*** [Proposed new language is underlined. Existing language that is deleted is shown as stricken (~~stricken~~).]

Amend Section 6 of Article X of the Constitution of Virginia as follows:

ARTICLE X  
TAXATION AND FINANCE

Section 6. Exempt property.

(a) Except as otherwise provided in this Constitution, the following property and no other shall be exempt from taxation, State and local, including inheritance taxes:

(1) Property owned directly or indirectly by the Commonwealth or any political subdivision thereof, and obligations of the Commonwealth or any political subdivision thereof exempt by law.

(2) Real estate and personal property owned and exclusively occupied or used by churches or religious bodies for religious worship or for the residences of their ministers.

(3) Private or public burying grounds or cemeteries, provided the same are not operated for profit.

(4) Property owned by public libraries or by institutions of learning not conducted for profit, so long as such property is primarily used for literary, scientific, or educational purposes or purposes incidental thereto. This provision may also apply to leasehold interests in such property as may be provided by general law.

(5) Intangible personal property, or any class or classes thereof, as may be exempted in whole or in part by general law.

(6) Property used by its owner for religious, charitable, patriotic, historical, benevolent, cultural, or public park and playground purposes, as may be provided by classification or designation by an ordinance adopted by the local governing body and subject to such restrictions and conditions as provided by general law.

(7) Land subject to a perpetual easement permitting inundation by water as may be exempted in whole or in part by general law.

(b) The General Assembly may by general law authorize the governing body of any county, city, town, or regional government to provide for the exemption from local property taxation, or a portion thereof, within such restrictions and upon such conditions as may be prescribed, of real estate and personal property designed for continuous habitation owned by, and occupied as the sole dwelling of, persons not less than sixty-five years of age or persons permanently and totally disabled as established by general law who are deemed by the General Assembly to be bearing an extraordinary tax burden on said property in relation to their income and financial worth.

(c) Except as to property of the Commonwealth, the General Assembly by general law may restrict or condition, in whole or in part, but not extend, any or all of the above exemptions.

(d) The General Assembly may define as a separate subject of taxation any property, including real or personal property, equipment, facilities, or devices, used primarily for the purpose of abating or preventing pollution of the atmosphere or waters of the Commonwealth or for the purpose of transferring or storing solar energy, and by general law may allow the governing body of any county, city, town, or regional government to exempt or partially exempt such property from taxation, or by general law may directly exempt or partially exempt such property from taxation.

(e) The General Assembly may define as a separate subject of taxation household goods, personal effects and tangible farm property and products, and by general law may allow the governing body of any county, city, town, or regional government to exempt or partially exempt such property from taxation, or by general law may directly exempt or partially exempt such property from taxation.

(f) Exemptions of property from taxation as established or authorized hereby shall be strictly construed; provided, however, that all property exempt from taxation on the effective date of this section shall continue to be exempt until otherwise provided by the General Assembly as herein set forth.

(g) The General Assembly may by general law authorize any county, city, town, or regional government to impose a service charge upon the owners of a class or classes of exempt property for services provided by such governments.

(h) The General Assembly may by general law authorize the governing body of any county, city, town, or regional government to provide for a partial exemption from

local real property taxation, within such restrictions and upon such conditions as may be prescribed, (i) of real estate whose improvements, by virtue of age and use, have undergone substantial renovation, rehabilitation or replacement or (ii) of real estate with new structures and improvements in conservation, redevelopment, or rehabilitation areas.

(i) The General Assembly may by general law allow the governing body of any county, city, or town to exempt or partially exempt from taxation any generating equipment installed after December thirty-one, nineteen hundred seventy-four, for the purpose of converting from oil or natural gas to coal or to wood, wood bark, wood residue, or to any other alternate energy source for manufacturing, and any co-generation equipment installed since such date for use in manufacturing.

(j) The General Assembly may by general law allow the governing body of any county, city, or town to have the option to exempt or partially exempt from taxation any business, occupational or professional license or any merchants' capital, or both.

DLS

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Explanation -- 348 words

Approved by Senate Committee on Privileges and Elections April 19, 2006